

Friday, August 9, 1974

Dear Member:

President Ford's personal qualities: They're a major asset. His warmth, openness & friendliness will reinforce his purposes, lead to quite a change from the closed White House of the past. His natural geniality is expected to survive the political storms as the ambitions of powerful friends and enemies take their toll.

Also, he will have more than the honeymoon a new Pres. gets. One taking office shadowed by tragedy is a special beneficiary. That's what happened to Truman & LBJ when they became President. Their first months in office saw an extraordinary surge of support.

These Presidential attributes come at a most opportune time. The country's most savage problems, those centered in the economy, are more likely to respond to a changed psychological atmosphere, one able to restore confidence, than to technically wise policies.

Ford's ability to create such an atmosphere is his 1st test. This week's surge in the wholesale price index stresses the need to deal with inflation and interest rates quickly & effectively. The President will have to demonstrate a firm hand on that tiller.

His thinking, of course, hasn't jelled on all major policies. But he has talked enough to provide some insights on his thoughts. Clearly, the new Pres. has not been idle over these last months. He and his staff have been working out his position and options.

What follows is our analysis of the new President's views -- on a number of new economic initiatives, energy, foreign affairs, domestic and social policy, labor relations and party politics. Here is the kind of Administration we feel Pres. Ford will run:

Take the economy first: Ford knows he must come on strong, that the old platitudes about fiscal restraint, old-time religion, pulling together to fight inflation, etc., simply won't wash now. He needs a blunter, more activist posture on economic policy.

What to do about inflation clearly has the highest priority. The only firm decision made so far is to cut the FY 1975 budget, even more deeply than Nixon had intended, to below \$300 billion.

Next, he's planning a high-level economic conference in Wash. under joint White House-Congress auspices, bipartisan in nature, to examine the gamut of economic policy options open to the Admin.

The idea behind the conference is to level with the people, "get politics out of economics," give honest news, not good news,

when there isn't any to give. And Ford will stress that on TV. More than that, however, Ford plans to institutionalize the forum, make it a body to study all the implications of economic policy.

The group is expected to make major economic recommendations designed to avoid the Scylla & Charybdis of inflation, recession. Some moves already under White House discussion include these:

...Beef up the government's role as employer of last resort.

...Provide substantial tax relief for lower-income families, slap a temporary tax surcharge on the well-to-do and on business.

...Tax incentives for long-term investments and expansion.

...Injections of federal funds to help the housing industry by subsidizing S&L's, savings banks, to pump out mortgage money. The idea is to revive the private homebuilding market next year as a hedge against a possible drop in consumer durables spending.

The Pres. will also call for a watchdog cost-of-living body given the assignment of reviewing major price & wage adjustments. It would also recommend specific action to Congress & the Admin., act as an economic ombudsman using moral suasion as its weapon.

There'll be a review board on interest rates and dividends. Again, this would be a public-interest body without special rules, but with a direct line to the White House and with implicit power: It could step in whenever a real emergency situation developed.

But the new Admin.'s impact on economics will be much broader, affect the flow of legislation, energy policy, agriculture, etc. For one thing, the legislative logjam should be broken soon now, move consumer, trade, tax reform, pension, other bills, along.

New backing for an energy conservation program seems sure. The long-stalled R&D bill, designed to attain self-sufficiency, if not by 1980 then in the 1980's, will get a much-needed push.

Business-labor cooperation could get gov't "encouragement" -- including knocking together some recalcitrant heads if need be. A new farm program with grain export restrictions is possible -- especially when and if Agriculture Secretary Butz leaves Wash.

As for organized labor, it too will "honeymoon" with Ford, until a basis for appraising him in office is sufficiently clear. But there's little doubt of a strong adversary relationship ahead.

It's not that labor chiefs feel basic hostility to Pres. Ford. On the contrary, Meany & others held him in high personal regard, see him as an honest man, one with whom you know where you stand. But their underlying differences in philosophy are sure to emerge. The chasm in economic ideology will be simply too great to bridge.

Take the AFL-CIO's compilation of Ford's House voting record. Over 25 years, Ford voted "wrong" 107 times, "right" only 7 times on economic and social legislation supported by organized labor.

Still, the honeymoon will be genuine for as long as it lasts. The unions sincerely hope Ford can pull the country together now, know he'll need all the help he can get -- are ready to give it. Also, they hope that Ford may be less antagonistic to the unions now that his constituency is the nation, not just Grand Rapids.

In the long run, however, a Labor-Admin. rumble seems sure. The basic conflict is not just economic, but political as well. Ford, at best, won't distract labor from its long-cherished plan: to nominate "their" Dem candidate in 1976 and to get him elected.

Foreign affairs: Though Sec. Kissinger has agreed to stay on, the conduct, if not the substance, of foreign policy will change. The tone will be less dramatic, the Nixon "spectaculars" gone. There are fewer possibilities for such displays to do much good.

Major issues have settled into the routine of negotiations, the patient pecking of experts at the myriad of complex details. That's where they'll remain, too, unless crises heat up again.

Thus Kissinger must continue immensely complex SALT II talks, discuss troop cuts with Russia, push for improved trade relations. But the pattern of talks with Moscow has been institutionalized, can be handled less dramatically, often without help of top men.

The most immediate concern remains the situation on Cyprus, not so much for its own sake but because a Greek-Turkish conflict could unhinge NATO's entire capability in the Mediterranean Sea.

The most dangerous prospect, however, is in the Middle East. A Syrian strike cannot be ruled out, not after the October war. But it is unlikely to escalate to the intensity of that fighting.

Meanwhile diplomats struggle to turn truce into real peace, a much tougher achievement than what has already been accomplished. Although understanding between Jordan and Israel may be in sight, much patient negotiation, attention to details, is still needed.

N. Vietnam is in the best position to take a quick advantage, while Ford settles into office, strike boldly into South Vietnam. But it is by no means certain that Hanoi has the arms capability.

Moscow is also in the habit of probing each new President. Yet Sino-Soviet tensions are likely to shelter Ford this time. Besides, Russia remains as eager to continue detente as he does. Still, detente is up for reappraisal, is being debated already, just as Kissinger asked it be upon his return from the summit.

To sum up, Ford's foreign policies will be less flamboyant,

less likely to oversell the Administration's aims & achievements. Indeed, Ford may find himself in greater harmony with Kissinger, who was always more careful in his evaluation than Pres. Nixon.

For the GOP, Ford's accession is quite literally a godsend. Fact is, political pros in both parties whose views we respect say the GOP was never in quite as bad shape as the media made out.

The firestorm through which party regulars have persevered, these pros say, has solidified the GOP into "a granite block." Republicans are unified, determined and ready to pull together. At worst, Ford will stave off the heavy losses expected in Nov. At best, he may be able to stanch the bloodletting to fewer seats.

Certainly Democratic hopes of fielding a veto-proof Congress, come January, always slender, are now more gossamer than ever. They would have to gain 48 seats in the House, 11 in the Senate. That's tough, given the political advantage Ford will still enjoy. When voters go to the polls, he'll be in office under 100 days.

In short, overconfident Dems trumpeting "wipe-out" slogans could be in for a rude awakening when the results are in Nov. 5. Ford is an effective campaigner, very much a man for this season, calm, solid, a good mixer in the tradition of American politics.

Yet he isn't a tub-thumper, eschews rhetoric, lacks charisma, which can be a positive advantage, given the electorate's mood. And if Ford manages to "talk sense" so that people believe him, he could go a long way toward shoring up his badly bruised party. For the GOP has been hurt, albeit not so badly as some contend.

On his record, Ford can't be expected to push social policy, engineer breakthroughs on welfare, mass transit, other such issues. Even if he wanted to, the battle on inflation wouldn't let him. But note this well: He is the first man to occupy the Presidency without ever having been elected to either of the two top offices.

That puts a different complexion on his political posture. The assumption that because he has been a life-long conservative, he must act as one now, simply doesn't recognize one key element: As Chief Executive, Ford may feel under a very special obligation to be "President of all the people," regardless of their politics.

Certainly, such an approach would fit his personality mold, his image of outgoing friendliness, compassion and real concern.

Research Institute Staff